

ANNUAL REPORT

OF THE

MINNEAPOLIS, ST. PAUL & SAULT
STE. MARIE RAILROAD COMPANY

FOR THE YEAR ENDED
DECEMBER 31
1944



MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE
RAILROAD COMPANY

BOARD OF DIRECTORS

JOHN E. BLUNT.....	Chicago	HENRY S. KINGMAN.....	Minneapolis
*JOSEPH CHAPMAN.....	Minneapolis	HENRY LALIBERTE.....	Duluth
D. C. COLEMAN.....	Montreal	*HENRY S. MITCHELL.....	Minneapolis
PAUL V. EAMES.....	Minneapolis	COLA G. PARKER.....	Neenah
*H. C. GROUT.....	Minneapolis	J. S. PILLSBURY.....	Minneapolis
F. T. HEFFELFINGER.....	Minneapolis	*HOMER B. VANDERBLUE.....	Evanston
*C. T. JAFFRAY.....	Minneapolis	L. E. WAKEFIELD.....	Minneapolis
		G. W. WEBSTER.....	Minneapolis

*Member of Executive Committee

OFFICERS

President.....	H. C. GROUT.....	Minneapolis
Vice President and General Counsel.....	J. L. HETLAND.....	"
Vice President.....	C. S. POPE.....	"
Executive Assistant.....	R. E. DAVIES.....	"
Secretary.....	P. J. STOCK.....	"
Treasurer.....	C. H. BENDER.....	"
Assistant Secretary.....	M. J. TRACY.....	"
Assistant Treasurer.....	W. LEICESTER.....	"

TRAFFIC DEPARTMENT

General Traffic Manager.....	G. A. MACNAMARA.....	Minneapolis
Assistant General Traffic Manager.....	R. N. GOLDEN.....	"
Freight Traffic Manager.....	E. F. RICE.....	"
Assistant Freight Traffic Manager.....	H. E. BENSON.....	"
Assistant Freight Traffic Manager.....	G. M. THOMPSON.....	Menasha
Assistant Freight Traffic Manager.....	C. V. GALLAGHER.....	Chicago
General Passenger Agent.....	A. T. ERICKSON.....	Minneapolis

PERSONNEL, PURCHASING, SAFETY, AND
PUBLIC RELATIONS DEPARTMENTS

Vice President.....	C. S. POPE.....	Minneapolis
Manager Personnel.....	E. H. BUHLMAN.....	"
Purchasing Agent.....	T. J. RUTH.....	"

ANNUAL REPORT

OF THE

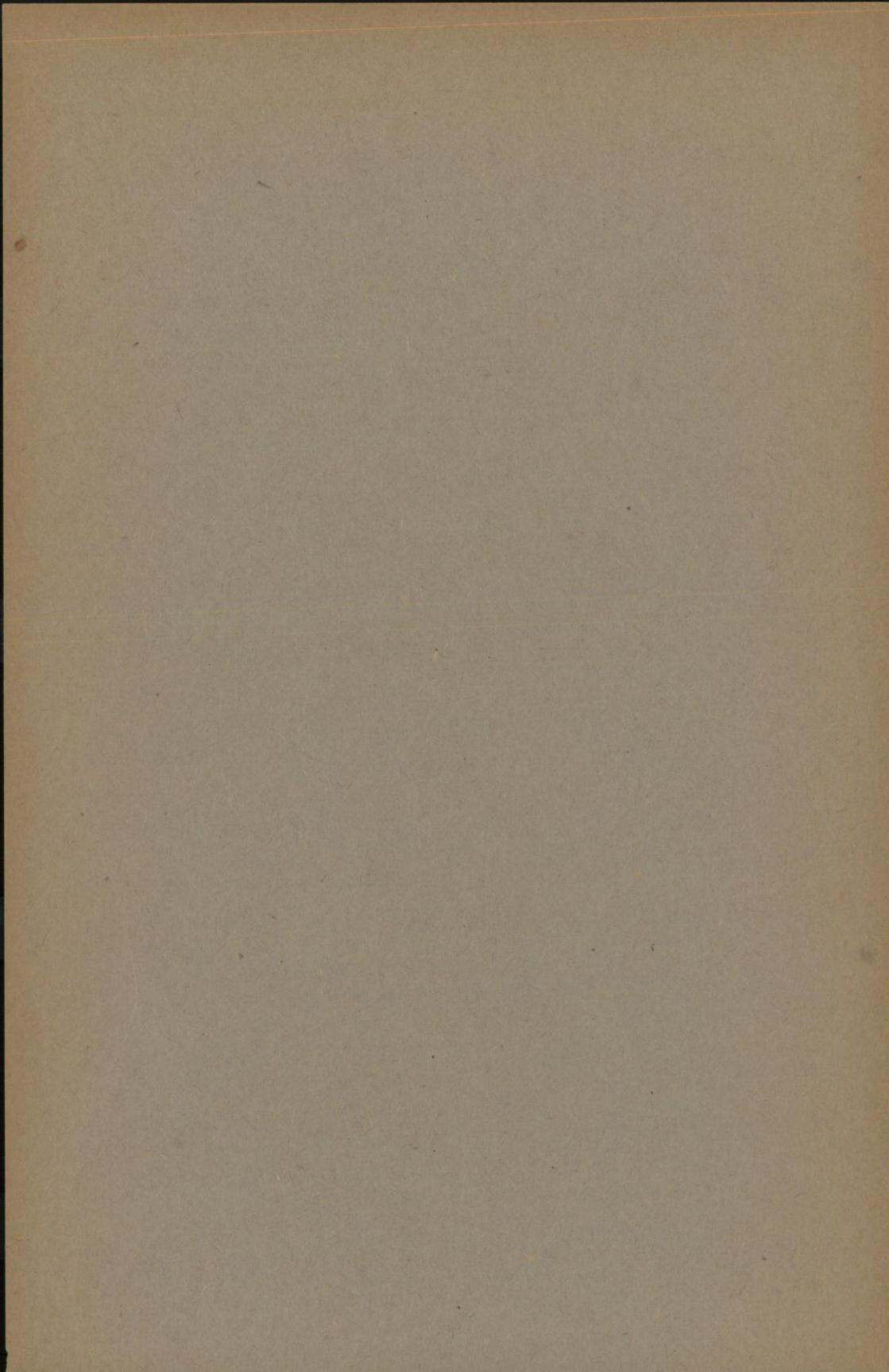
MINNEAPOLIS, ST. PAUL & SAULT
STE. MARIE RAILROAD COMPANY

FOR THE YEAR ENDED
DECEMBER 31
1944



STRAWBOARDS

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ACCOUNTING DEPARTMENT

Comptroller.....	J. B. DONNELLY.....	Minneapolis
Assistant Comptroller.....	J. C. PETERSON.....	"
General Auditor.....	J. E. BERTELSEN.....	"

OPERATING DEPARTMENT

General Manager.....	R. L. SIMPSON.....	Minneapolis
General Superintendent.....	E. D. JONES.....	"
Superintendent Transportation.....	W. M. CHRISTEL.....	"
General Mechanical Superintendent..	B. N. LEWIS.....	"
Chief Engineer.....	T. Z. KRUMM.....	"

INDUSTRIAL AND REAL ESTATE DEPARTMENT

Industrial and Real Estate Comm.....	R. S. CLAAR.....	Minneapolis
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TAX DEPARTMENT

Tax Commissioner.....	H. A. THOMSON.....	Minneapolis
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TRANSFER AGENTS

FIRST MORTGAGE BONDS

THE NORTHERN TRUST COMPANY
50 S. La Salle Street, Chicago 90, Ill.

AGENCY, BANK OF MONTREAL
64 Wall Street, New York 5, N. Y.

GENERAL MORTGAGE BONDS

HARRIS TRUST AND SAVINGS BANK
115 West Monroe Street, Chicago 90, Ill.

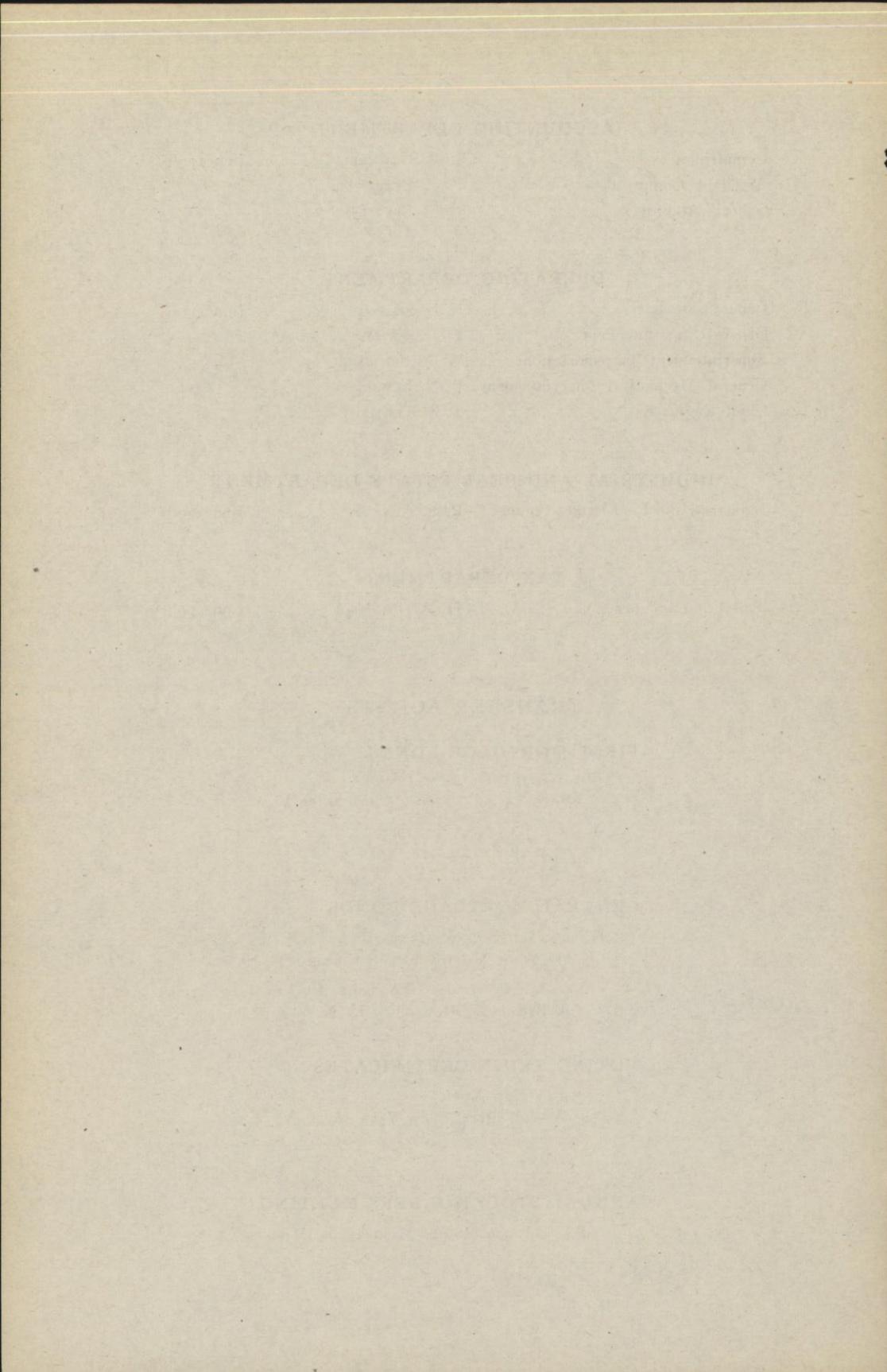
CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York 15, N. Y.

VOTING TRUST CERTIFICATES

BANK OF NEW YORK
48 Wall Street, New York 15, N. Y.

ANNUAL STOCKHOLDERS MEETING

3rd Tuesday in May at Minneapolis, Minn.



MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE
RAILROAD COMPANY

TO THE STOCKHOLDERS:

The reorganization was consummated on September 1, 1944 and as of that date the property and assets of the Minneapolis, St. Paul & Sault Ste. Marie Railway Company were transferred to this company, which was organized under the laws of the State of Minnesota. At that time, or shortly thereafter, the various documents required under the Plan of Reorganization, including new mortgages, were duly executed, the mortgages being effective on September 1, 1944.

The management and operation of the property of the old company (Minneapolis, St. Paul & Sault Ste. Marie Railway Company) continued under the jurisdiction of the Trustees until September 1, 1944. It is deemed appropriate to express the Board's appreciation for the very efficient manner in which Messrs. G. W. Webster and Joseph Chapman, as Trustees of the property of the predecessor company, conducted the operations of that Company, and in which they and Messrs. Kenneth F. Burgess, Fred N. Oliver and Henry S. Mitchell as Reorganization Managers carried through the reorganization proceeding.

For comparative purposes, statistics shown herein include, wherever practicable, operations of the old company prior to September 1, 1944. A condensed income statement showing the results of operations for the year 1944, insofar as they pertain to this company, together with certain comparisons with the year 1943, follows:

	1944	1943
Railway Operating Revenues.....	\$29,886,386	\$26,444,158
Railway Operating Expenses.....	21,497,840	19,628,107
Net Revenue from Railway Operations.....	\$ 8,388,546	\$ 6,816,051
Net Equipment, Joint Facility Rents and Taxes—Dr.....	2,678,377	1,674,959
Net Railway Operating Income.....	\$ 5,710,169	\$ 5,141,092
Other Income less Miscellaneous Deductions.....	139,529	105,426
Income before Fixed Charges.....	\$ 5,849,698	\$ 5,246,518
Fixed Charges.....	37,542	
Income after Fixed Charges.....	\$ 5,812,156	
Elimination of Charges to Operating Expenses applicable to period prior to Sept. 8, 1944, on account of non-depreciable property retired and not replaced (Article I, (3), (a) of the mortgages).....	57,998	
Adjustments included in Profit and Loss Account applicable to Income for prior years (Article I, (3), (b) of the mortgages).....	Nil	
Available Net Income as defined in Article I of the Mortgages.....	\$ 5,870,154	
Interest on First Mortgage Bonds.....	362,327	
Balance.....	\$ 5,507,827	
Interest on General Mortgage Bonds.....	788,480	
Sinking Fund — General Mortgage.....	100,645	
Balance available for other Corporate purposes.....	\$ 4,618,702	

REVENUES

Freight Revenues amounted to \$26,075,774 in 1944 as compared to \$22,935,576 in 1943, an increase of \$3,140,198, or 13.69%.

Products of Agriculture. It is estimated that the 1944 grain crop produced in this company's territory, west of Minneapolis and Duluth, amounted to approximately 63,740,000 bushels, of which 34,399,000 bushels moved to market between August 1 and December 31, 1944, the balance remaining in elevators and on farms along the line.

Revenue from the movement of grain during the entire year 1944 amounted to \$11,594,123, as compared to \$9,126,814 in 1943, an increase of \$2,467,309, or 27.03%. Revenues from other Products of Agriculture amounted to \$1,475,857 in 1944, as compared to \$1,013,337 in 1943, an increase of \$462,520, or 45.64%.

The table following shows the annual movement of grain in bushels, beginning with 1924, separated between that origi-

nated on line and that received from connections in the grain territory, and other movements consisting chiefly of transfers of grain between Minneapolis and the Head of the Lakes. In the early part of 1944 a considerable amount of Canadian grain was moved from Noyes to the Head of the Lakes for reshipment to eastern points, which is included in the figures shown below under the caption of Received from Connections.

(000 omitted from bushels)

Originated on Line

Jan. 1 to July 31	Aug. 1 to Dec. 31	Received			Other	
		Total	from Connections	Total	Movements	Total
1924.... 12,293	46,441	58,740	2,173	60,913	5,736	66,649
1925.... 17,673	37,944	55,617	2,182	57,799	5,136	62,935
1926.... 14,935	18,272	33,207	1,930	35,137	5,939	41,076
1927.... 10,410	36,716	47,126	1,698	48,824	6,072	54,896
1928.... 16,145	38,275	54,420	1,774	56,194	8,950	65,144
1929.... 16,625	20,725	37,350	1,297	38,647	7,168	45,815
1930.... 11,087	26,625	37,712	1,407	39,119	4,689	43,808
1931.... 13,652	7,801	21,453	730	22,183	3,185	25,368
1932.... 3,705	13,207	16,912	747	17,659	2,720	20,379
1933.... 10,558	10,021	20,579	645	21,224	3,409	24,633
1934.... 6,394	4,954	11,348	1,996	13,344	5,534	18,878
1935.... 3,105	14,046	17,151	927	18,078	4,201	22,279
1936.... 6,379	3,517	9,896	1,112	11,008	3,871	14,879
1937.... 2,147	12,427	14,574	587	15,161	3,706	18,867
1938.... 4,859	15,058	19,917	916	20,833	4,719	25,552
1939.... 7,941	17,625	25,566	1,594	27,160	3,104	30,264
1940.... 10,886	18,766	29,652	7,831	37,483	2,447	39,930
1941.... 13,549	26,165	39,714	3,433	43,147	5,127	48,274
1942.... 16,941	29,854	46,795	1,642	48,437	4,073	52,510
1943.... 26,953	38,110	65,063	14,228	79,291	10,136	89,427
1944.... 34,453	34,399	68,852	34,578	103,430	6,743	110,173

Animals and Products. Due to a heavier movement of livestock and meat, there was an increase in revenue in this class of traffic of \$177,195, or 23.14%, as compared with the previous year.

Products of Mines. There was an increase in revenues of \$27,232, or .69%, compared with the previous year. Increased shipments of crude petroleum resulting in increased revenues of \$494,584 more than offset decreases in revenues from iron ore shipments amounting to \$265,303, and shipments of bituminous coal aggregating \$127,993 and similar reductions in

shipments of Other Products of Mines. Total iron ore tonnage amounted to 1,390,497 long tons in 1944 as compared with 1,728,866 long tons in 1943. Tonnage from the Cuyuna Range to the Superior Ore Dock amounted to 993,021 long tons compared with 1,128,784 long tons in 1943. In addition, 282,928 long tons were forwarded from the Cuyuna Range to the Head of the Lakes and delivered to other railroads. Due to war conditions 7,949 long tons moved all rail from the Cuyuna Range to St. Louis. The remaining tonnage involved interchange and switch movements to and from connecting railroads.

Products of Forests. Revenues increased \$73,733, or 3.35%, compared with the previous year, as a result of an improvement in the volume of pulpwood traffic.

Manufactures and Miscellaneous. There was a decrease in revenues from commodities included in this group amounting to \$168,091, or 3.31%, as compared with the year 1943. A slight improvement in shipments of petroleum products was more than offset by decreases in other commodities included in this group.

Passenger Revenue amounted to \$1,949,462, an increase of \$188,206, or 10.69%, as compared with the previous year. The number of revenue passengers carried increased 11.58%.

All Other Revenue amounted to \$1,861,150 in 1944 as compared to \$1,747,326 in 1943, an increase of \$113,824, or 6.51%.

EXPENSES

Maintenance of Way and Structures Expense increased \$268,723, or 5.87%. A greater number of cross ties installed during the year, together with payments for vacation allowances, accounted for the major increases. The increased expenses were offset in part by a reduction in the cost of snow removal throughout the year. The ratio of Maintenance of Way and Structures Expenses to Railway Operating Revenues decreased from 17.32% in 1943 to 16.22% in 1944. Effective January 1, 1944 the Interstate Commerce Commission created a new account titled "Retirements—Road" to which

account were charged the retirement losses on non-depreciable property to the extent of \$73,750 during the year. Under the former accounting procedure this amount would have been included in the regular repair accounts.

Maintenance of Equipment Expense increased \$440,274, or 10.05%, brought about by increased traffic, payments for vacation allowances, and a larger apportionment of freight train car repair expense under the amended Wisconsin Central Operating Agreement. The ratio of Maintenance of Equipment Expense to Railway Operating Revenues decreased from 16.56% in 1943 to 16.13% in 1944.

Traffic Expenses decreased \$69,910, or 14.61%, chiefly due to the revised apportionment of total Traffic Expense under the amended Wisconsin Central Operating Agreement.

Transportation Expenses increased \$1,220,408, or 13.04%. The ratio to Railway Operating Revenues remained at 35.40% for 1944 as in 1943. The increased expense was caused by a greater volume of traffic handled, payments for vacation allowances, and higher prices for fuel and other supplies. Variations in operating factors are shown below:

	1944	1943
Freight train load—gross tons per train.....	1,751	1,662
Freight car load—net tons.....	33.9	34.1
Freight train fuel consumption—pounds per		
1000 gross ton miles.....	103	104
Freight train speed—miles per hour.....	17.4	17.1
Gross ton miles per freight train hour.....	30,420	28,484
Passenger miles per train mile.....	55.7	49.8

Tons carried one mile increased from 2,583,417,299 to 2,839,201,893, or 9.90%, with an increase in freight train miles of only 5.33%.

Passengers carried one mile increased from 95,683,050 to 105,619,905, or 10.39%, with a decrease in passenger-train miles of 1.31%.

Railway Tax Accruals for the year 1944 amounted to \$2,840,791, as compared with \$1,815,912 for the year 1943, an increase of \$1,024,879, or 56.44%, comprised as follows:

			INCREASE	
	1944	1943	Amount	Per Cent
Railroad Retirement.....	\$ 444,102	\$ 380,523	\$ 63,579	16.71%
Railroad Unemployment.....	386,206	351,135	35,071	9.99
Federal Income Tax.....	720,000	.....	720,000	...
Federal Capital Stock.....	70,000	.....	70,000	...
State, Local and Other.....	1,220,483	1,084,254	136,229	12.56
	\$2,840,791	\$1,815,912	\$1,024,879	56.44%

The Federal Income Tax and Capital Stock Tax are applicable to the operations of the Company subsequent to September 1, 1944. The increase in State, Local and Other Taxes is due to \$35,913 incident to the reorganization and larger payments for Minnesota Gross Earnings Taxes.

Equipment Rents for the year 1944 amounted to a net credit of \$302,237, as compared with a net credit of \$336,085 for the previous year, a decrease of \$33,848, or 10.07%. There was a substantial decrease in the net rental received from foreign lines, which was partially offset by the apportionment of per diem under the amended Wisconsin Central Operating Agreement.

Joint Facility Rents. Net charges for the year 1944 amounted to \$139,823, as compared with \$195,132 for the previous year, a decrease of \$55,309, or 28.34%. This reduction was largely due to reduced payments to foreign lines for use of foreign owned facilities, by adjustments under the amended Wisconsin Central Operating Agreement and to reduced iron ore operations on the Cuyuna Range.

PROPERTY INVESTMENT

Investment in Road Property (exclusive of restatement required by I.C.C. incident to reorganization) increased \$279,127, while Investment in Equipment decreased \$110,487 during the year 1944.

Gross expenditures for Road Property amounted to \$557,817, with retirements of \$278,690. Major improvements included the relay of 39.95 miles of track with new 90 pound rail, and 13.05 miles with 80 pound relay rail; construction of 10 new indus-

try tracks and 3 passing tracks; and some extensive excavation and ditching projects to improve drainage conditions and reduce snow trouble.

Gross expenditures for Equipment amounted to \$154,540. Retirements aggregated \$265,027.

REDUCTION IN DEBT

All equipment obligations assumed by the Company on September 1, 1944, amounting to \$1,475,450, and the notes of the predecessor company issued to The Railroad Credit Corporation in the amount of \$510,567, have been retired. In addition, \$417,000 principal amount of the General Mortgage Bonds were retired through the Sinking Fund.

Increased Freight Rates on certain commodities, which became effective March 18, 1942, were suspended effective May 15, 1943, and by successive orders of the Interstate Commerce Commission, further suspended to January 1, 1946.

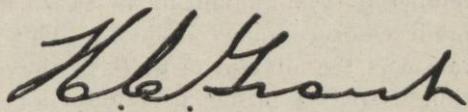
Vacation Allowances. After prolonged negotiation between Railroads and their Operating and Non-Operating employees, vacation agreements were signed which allowed the employees vacations varying from six to twelve days with pay each year. It is estimated that the allowance of these vacations increased operating expenses by approximately \$440,000 for the year 1944.

Wisconsin Central Railway Company. The Wisconsin Central receivership proceeding was converted into a reorganization proceeding under Section 77 of the Federal Bankruptcy Act by Order of the Court dated September 30, 1944. Messrs. E. A. Whitman and Edgar F. Zelle were appointed Trustees of the Wisconsin Central property and, after ratification of their appointment by the Interstate Commerce Commission, took possession effective January 1, 1945. This Company continues to operate the Wisconsin Central properties as Agent for the Trustees with the approval of the Court and pursuant to the Operating Agreement, as amended, and the revised Schedule of Bases made effective July 1, 1943.

As of December 31, 1944, there were 1,433 employees in the armed services.

A commendable response has been made by the officers and employees in support of the war effort by their purchase of war bonds and their contributions to the Red Cross and other service organizations. Their loyalty and devotion to duty has made possible the favorable results for the year.

FOR THE BOARD OF DIRECTORS



President.

Minneapolis, Minnesota

April 18, 1945

PEAT, MARWICK, MITCHELL & CO.

ACCOUNTANTS AND AUDITORS

ATLANTA	NEW YORK
BOSTON	MINNEAPOLIS
CHARLOTTE	NEW ORLEANS
CHICAGO	NEW YORK
CLEVELAND	PHILADELPHIA
DENVER	PITTSBURGH
Detroit	PORTLAND
Houston	ST. LOUIS
INDIANAPOLIS	SACRAMENTO
LOS ANGELES	SEATTLE
MEMPHIS	ST. LOUIS
MILWAUKEE	WASHINGTON
	WORCESTER
	HAVANA, CUBA

—
CANADA
GREAT BRITAIN
EUROPE
COSTA RICA

SEVENTY PINE STREET
NEW YORK 5, N.Y.

April 18, 1945.

To the Board of Directors,

Minneapolis, St. Paul & Sault
Ste. Marie Railroad Company:

We have examined the general balance sheet of the Minneapolis, St. Paul & Sault Ste. Marie Railroad Company as of December 31, 1944, and the related statements of income and earned surplus for the period from September 1, 1944 (date of commencement of operations of the re-organized Company) to December 31, 1944, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying general balance sheet and statements of income and earned surplus, with notes thereon, present fairly the position of the Minneapolis, St. Paul & Sault Ste. Marie Railroad Company at December 31, 1944 and the results of its operations for the period from September 1, 1944 to December 31, 1944, in conformity with principles of accounting prescribed by the Interstate Commerce Commission.

Peat Marwick Mitchell & Co

COMPARATIVE GENERAL

ASSET SIDE

	Sept. 1, 1944	Dec. 31, 1944	Increase or Decrease
INVESTMENTS:			
Road and Equipment Property:			
Road.....	\$101,808,949	\$102,054,771	\$ 245,822
Equipment.....	26,209,283	26,242,505	33,222
Total.....	\$128,018,232	\$128,297,276	\$ 279,044
Acquisition adjustment.....	\$ 24,356,864	\$ 24,002,538	\$ 354,326
Donations and grants.....	4,164	4,364	200
Net.....	\$103,657,204	\$104,290,374	\$ 633,170
Sinking fund—General Mortgage.....	\$ 387	\$ 919	\$ 532
Capital fund—Cash.....		391,670	391,670
Miscellaneous physical property.....	352,205	174,418	177,787
Investments in affiliated companies:			
Stocks—Pledged under First Mortgage.....	245,500	272,375	26,875
Stocks—Pledged under Gen'l Mortgage.....	1,140,000	1,140,000	
Advances—Pledged under Gen'l Mortgage.....	24,911	23,600	1,311
Advances—all other.....	659,206	636,645	22,561
Other Investments:			
Stocks.....	1	1	
Other secured obligations.....	7,111	6,892	219
Advances.....	2	2,159	2,157
Total Investments.....	\$106,086,527	\$106,939,053	\$ 852,526
CURRENT ASSETS:			
Cash.....	\$ 9,663,037	\$ 7,104,894	\$ 2,558,143
U. S. Government securities.....	3,850,000	6,850,000	3,000,000
Special Deposits:			
For interest and other obligations.....	6,086,331	1,454,892	4,631,439
Land Grant Claims.....	715,000	730,000	15,000
Employees Income Tax and War Bonds.....	112,754	169,430	56,676
For distribution to holders of			
First Consolidated Bonds.....	2,899,072	149,880	2,749,192
Other special deposits.....	17,275	17,275	
Traffic and Car-service balances.....	219,068	78,424	140,644
Agents and Conductors' balances.....	450,977	443,437	7,540
Miscellaneous accounts receivable.....	961,553	1,043,735	82,182
Material and supplies.....	3,800,034	4,106,773	306,739
Interest and dividends receivable.....	6,356	50,249	43,893
Other current assets.....	52,924	37,305	15,619
Total.....	\$ 28,834,381	\$ 22,236,294	\$ 6,598,087
DEFERRED ASSETS:			
Working fund advances.....	\$ 18,576	\$ 25,131	\$ 6,555
Fiduciary account for Land Grant Claims for Trustees W. C. Ry. Co.....	1,150,000	1,250,000	100,000
Other deferred assets.....	307,327	324,944	17,617
Total.....	\$ 1,475,903	\$ 1,600,075	\$ 124,172
UNADJUSTED DEBITS:			
Rents and Insurance premiums paid in advance.....	\$ 24,167	\$ 27,762	\$ 3,595
Discount on funded debt.....		53,416	53,416
Other unadjusted debits.....	1,314,634	1,217,647	96,987
Total.....	\$ 1,338,801	\$ 1,298,825	\$ 39,976
GRAND TOTAL.....	\$137,735,612	\$132,074,247	\$ 5,661,365

BALANCE SHEET

LIABILITY SIDE

	Sept. 1, 1944	Dec. 31, 1944	Increase or Decrease
CAPITAL STOCK.			
719,104 shares no par value stated at \$86.50 per share—represented by Voting Trust Certificates as follows:			
Series "A"..... 536,614.03 shares			
Series "B"..... 182,489.97 shares			
719,104.00 Total	\$ 62,202,496	\$ 62,202,496	.....
LONG-TERM DEBT:			
First Mortgage, 4½%, 1-1-71.....	\$ 8,051,700	\$ 8,051,630	\$ 70
Issued \$10,000,000.			
Heid in Treasury \$1,948,370.			
Gen'l Mortgage, 4%, 1-1-91.....	20,129,000	19,712,000	417,000
Issued \$20,129,000. Retired \$417,000			
Notes issued to The Railroad Credit Corp.....	510,567		510,567
Equipment obligations.....	1,475,450		1,475,450
Total.....	\$ 30,166,717	\$ 27,763,630	\$ 2,403,087
CURRENT LIABILITIES:			
Audited accounts payable.....	\$ 1,092,655	\$ 951,328	\$ 141,327
Wages payable.....	1,965,179	1,714,071	251,108
Miscellaneous accounts payable.....	216,973	199,770	17,203
Interest matured unpaid.....	3,506,731	1,346,159	2,160,572
Unmatured interest accrued.....	778,675		778,675
Unmatured rents accrued.....	14,534	4,887	9,647
Accrued tax liability.....	767,476	2,107,384	1,339,908
Trustees, Wisconsin Central Railway Co.....	611,700	212,408	399,292
Other current liabilities.....	3,125,154	396,642	2,728,512
Total.....	\$ 12,079,077	\$ 6,932,649	\$ 5,146,428
DEFERRED LIABILITIES:			
	\$ 170,159	\$ 153,290	\$ 16,869
UNADJUSTED CREDITS:			
Accrued depreciation—road and equipment.....	\$ 16,950,694	\$ 17,258,335	\$ 307,641
Accrued amortization of Defense Projects—Equipment.....	2,196,865	2,411,477	214,612
Reserves for Land Grant Deductions:			
M. St. P. & S. S. M. R. R. Co.....	720,000	730,000	10,000
Trustees, W. C. Ry. Co.....	1,175,000	1,250,000	75,000
Other unadjusted credits.....	870,497	806,271	64,226
Total.....	\$ 21,913,056	\$ 22,456,083	\$ 543,027
SURPLUS:			
Earned surplus—Appropriated.....	\$ 1,869,032	\$ 1,902,580	\$ 33,548
Earned surplus—Unappropriated, prior to September 1, 1944.....	10,335,075	10,495,106	160,031
Earned surplus—Unappropriated, September 1, 1944 to December 31, 1944.....		1,168,413	1,168,413
Total.....	\$ 11,204,107	\$ 12,566,099	\$ 1,361,992
GRAND TOTAL.....			
	\$137,735,612	\$132,074,247	\$ 5,661,365

This Company is jointly and severally liable, along with seven other owner railroads, for the principal and interest on \$14,737,000 of First and Refunding Mortgage 3-½% Bonds, Series "B" of The Saint Paul Union Depot Company. Interest has been paid by The Saint Paul Union Depot Company on these Bonds as it matured.

INCOME ACCOUNT

	Predecessor Company Jan. 1, 1944 to Aug. 31, 1944, Incl.	Reorganized Company Sept. 1, 1944 to Dec. 31, 1944, Incl.	Total
Railway Operating Revenues:			
Freight Revenue (See Note 5).....	\$ 17,557,034	\$ 8,518,740	\$ 26,075,774
Passenger Revenue.....	1,276,729	672,733	1,949,462
All Other Revenue.....	1,190,738	670,412	1,861,150
Total Railway Operating Revenues.....	20,024,501	9,861,885	29,886,386
Railway Operating Expenses:			
Maintenance of Way and Structures.....	3,503,190	1,345,083	4,848,273
Maintenance of Equipment.....	3,162,782	1,656,734	4,819,516
Traffic.....	268,693	139,967	408,660
Transportation.....	6,980,322	3,600,196	10,580,518
Miscellaneous.....	76,117	37,765	113,882
General.....	477,255	249,736	726,991
Total Railway Operating Expenses.....	14,468,359	7,029,481	21,497,840
Net Revenue from Railway Operations.....	5,556,142	2,832,404	8,388,546
Railway Tax Accruals: (See Note 3)			
Railway Operating Income.....	4,228,372	1,319,383	5,547,755
Equipment Rents—Net.....	181,506	120,731	302,237
Joint Facility Rents—Net.....	90,192	49,631	139,823
Net Railway Operating Income.....	4,319,686	1,390,483	5,710,169
Other Income.....	82,337	94,038	176,375
Total Income.....	4,402,023	1,484,521	5,886,544
Miscellaneous Deductions from Income.....	27,078	9,768	36,846
Income Available for Fixed and Contingent Charges.....	4,374,945	1,474,753	5,849,698
Fixed Charges:			
Rent for Leased Road and Equipment.....	960	480	1,440
Interest on Equipment Purchase Contracts.....	20,948	5,907	26,855
Interest on Unfunded Debt.....	238	7,431	7,669
Amortization of Discount on Funded Debt.....	.....	1,578	1,578
Total.....	22,146	15,396	37,542
Interest on Notes issued to the R. R. C.....	13,673	.....	13,673
Interest accrued but not paid.....	4,354,144	.....	4,354,144
Total Fixed Charges.....	4,389,963	15,396	4,405,359
Income or Deficit after Fixed Charges.....	15,018	1,459,357	1,444,339
Contingent Charges:			
Contingent Interest on New Bonds.....	.....	372,483	372,483
Sinking Fund Appropriations.....	.....	33,548	33,548
Total Contingent Charges.....	.....	406,031	406,031
Net Income or Deficit.....	\$ 15,018	\$ 1,053,326	\$ 1,038,308

See Notes to Financial Statements, page 18.

EARNED SURPLUS ACCOUNT

As of December 31, 1944

APPROPRIATED SURPLUS:		
Capital Fund for Years 1941, 1942 and 1943.....	\$ 500,000	
Sinking Fund for Years 1941, 1942 and 1943.....	301,935	
Sinking Fund accrued Jan. 1, 1944 to Aug. 31, 1944.....	67,097	
Amount at September 1, 1944.....	\$ 869,032	
Sinking Fund accrued Sept. 1, 1944 to Dec. 31, 1944.....	33,548	
Amount at December 31, 1944	\$ 902,580	
UNAPPROPRIATED SURPLUS:		
Applicable to period prior to Sept. 1, 1944:		
Amount at September 1, 1944.....	\$ 10,335,075	
Adjustments made subsequent to Sept. 1, 1944 as required by the Interstate Commerce Commission applicable to the period prior to Sept. 1, 1944:		
Dividends—Belt Railway Co. of Chicago.....	\$ 100,800	
Interest—W. C. Ry. Co. Equipment Notes.....	139,028	
Interest accrued on Railroad Credit Corp. Notes.....	79,797	
Net Adjustment	160,031	
Amount at December 31, 1944	\$ 10,495,106	
Applicable to period subsequent to Sept. 1, 1944:		
Net Income—September 1, 1944 to December 31, 1944.....	\$ 1,053,326	
Profit on General Mortgage Bonds retired through the Sinking Fund.....	114,673	
Miscellaneous Credits.....	1,565	
Deduct		
Miscellaneous Debits for period.....	1,151	
Amount at December 31, 1944	\$ 1,168,413	
Total Surplus at December 31, 1944	\$ 12,566,099	

See Notes to Financial Statements, page 18.

NOTES TO FINANCIAL STATEMENTS

1. The assets acquired were recorded on the date of reorganization, September 1, 1944, at the values carried on the books of the predecessor Company with the exception that (a) Road and Equipment was adjusted to reflect cost in accordance with requirements of the Interstate Commerce Commission and (b) Investments in Miscellaneous Physical Property and Investments in Affiliated and Other Companies were reduced to the estimated present day values as determined by the Company. After these adjustments, the excess of assets acquired over liabilities assumed and the stated value of the Capital Stock issued amounted at September 1, 1944 to \$35,560,971. The Interstate Commerce Commission required that \$24,356,864 of this amount be deducted from the book value of Road and Equipment as Acquisition Adjustment and that \$11,204,107 be classified as Earned Surplus. Of the latter amount, \$869,032 was appropriated for the Capital Fund and Sinking Fund.

In accordance with Minnesota law, the Unappropriated Earned Surplus of \$10,495,106 at December 31, 1944, together with the Appropriated Surplus in the amount of \$869,032 at September 1, 1944, is designated as Paid-in Surplus.

Depreciation of Roadway Property (other than road bed and track elements) has been accrued since January 1, 1943, in accordance with regulations issued and at rates approved by the Interstate Commerce Commission. Depreciation accrued prior to January 1, 1943 will be recorded on the books, when computed, and will be charged against Acquisition Adjustment in accordance with requirements of the Interstate Commerce Commission.

2. On April 15, 1944 the U. S. District Court approved an agreement between the Trustees of the predecessor Company and the Receiver of the Wisconsin Central Railway Company covering a revised schedule of bases for the assignment of operating revenues, operating expenses, railway tax accruals and equipment and joint facility rents. The original accounting under the revised schedule from the effective date, July 1, 1943, is reflected in the accompanying financial statements, in part on an estimated basis and in part actual, but is subject to audit.

3. The federal income tax returns of the predecessor Company and its Trustees for the year 1942 and prior have been examined by the Bureau of Internal Revenue. The returns for 1943 and the eight months to August 31, 1944 have been filed but no tax liability was shown therein. Provision in the amount of \$720,000 has been made in the accounts for income tax liability for the period from September 1, 1944 to December 31, 1944. The tax return to be filed for that period will not show any liability for excess profits tax.

4. Material and Supplies are stated on the basis of physical inventories taken as of September 30, 1944 under the direction of officers of the Company and adjusted for transactions to December 31, 1944. The basis of valuation is cost.

5. A reserve has been provided under other unadjusted credits in the amount of \$730,000 of which \$70,000 was deducted from freight revenue during the first eight months and \$10,000 was deducted during the last four months of 1944 against possible liability for refunds to the U. S. Government for material transported for various agencies thereof. This amount represents the estimated difference between charges assessed at tariff rates and the charges which might eventually be assessed on the basis of land grant rates. A further reserve has been provided and a special fiduciary account established in the amount of \$1,250,000 against possible liability of the Soo Line for similar land grant claims which might arise out of the operations of the Wisconsin Central. Special funds to cover these anticipated land grant claims have been set aside from the current revenues of the Soo Line and Wisconsin Central, respectively, as shown on the accompanying balance sheet.

INVESTMENTS IN AFFILIATED COMPANIES

STOCKS—Pledged under First Mortgage:	Number of Shares	Par Value	Book Value
Western Express Co.....	500	\$ 50,000	\$ 12,000
Sainte Marie Union Depot Co.....	375	37,500	37,500
Sault Ste. Marie Bridge Co.....	2,500	250,000	500
Minnesota Transfer Railway Co.....	913	91,300	91,300
The Saint Paul Union Depot Co.....	1,036	103,600	130,475
Railway Express Agency, Inc.....	6	No Par	600
T O T A L.....		\$ 532,400	\$ 272,375

STOCKS—Pledged under General Mortgage:

The Belt Railway Co. of Chicago.....	2,400	\$ 240,000	\$ 240,000
Tri-State Land Co.....	25,000	2,500,000	900,000
T O T A L.....		\$2,740,000	\$1,140,000

ADVANCES—Pledged under General Mortgage:

The Railroad Credit Corporation.....		\$ 23,600
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ADVANCES—All Other:

Sainte Marie Union Depot Co.....		\$ 26,790
Minnesota Transfer Ry.—Sinking Fund.....		18,889
Minnesota Transfer Ry.—Diesels.....		16,006
Railway Express Agency, Inc.....		135,856
Sault Ste. Marie Bridge Co.—U. S. Funds.....		1,091
Sault Ste. Marie Bridge Co.—Canadian Funds.....		4,383
Tri-State Land Co.....		433,630
T O T A L.....		\$ 636,645

OTHER INVESTMENTS

STOCKS:

Wisconsin Central Ry. Co.		
Common.....	103,585	\$10,358,500

OTHER SECURED OBLIGATIONS:

Clarkson Coal Mining Co. Note.....	\$ 182,014	\$ 606
Real Estate Sales Contracts.....	6,286	6,286
T O T A L.....	\$ 188,300	\$ 6,892

ADVANCES:

Wisconsin Central Ry. Co. (prior to Receivership)		
Advances prior to September 1, 1944.....	\$ 7,077,352	\$ 1
Adjustments subsequent to Sept. 1, 1944		2,157
Total Wisconsin Central Ry. Co.....		2,158
Central Terminal Ry. Co.....		1
T O T A L.....		\$ 2,159

OPERATING REVENUES

	1944	1943	Increase or Decrease	
			Amount	Per Cent
Products of Agriculture:				
Grain.....	\$ 11,594,123	\$ 9,126,814	\$ 2,467,309	27.03
Flour.....	203,160	229,531	26,371	11.50
Potatoes.....	265,907	165,901	100,006	60.28
All Other.....	1,006,790	617,905	388,885	62.94
Total.....	\$ 13,069,980	\$ 10,140,151	\$ 2,929,829	28.89
Animals and Products:				
Cattle and Calves.....	\$ 292,303	\$ 205,301	\$ 87,002	42.38
Hogs.....	123,290	119,705	3,585	2.99
Butter.....	91,333	115,073	23,740	20.63
All Other.....	436,003	325,655	110,348	33.88
Total.....	\$ 942,929	\$ 765,734	\$ 177,195	23.14
Products of Mines:				
Bituminous Coal.....	\$ 1,044,643	\$ 1,172,636	\$ 127,993	10.91
Lignite Coal.....	612,285	638,173	26,888	4.06
Iron Ore.....	1,060,197	1,325,500	265,303	20.02
Petroleum Crude.....	678,224	183,640	494,584	269.32
All Other.....	550,172	598,340	48,168	8.05
Total.....	\$ 3,945,521	\$ 3,918,289	\$ 27,232	.69
Products of Forests:				
Posts, Poles and Piling.....	\$ 163,165	\$ 111,598	\$ 51,567	46.21
Pulpwood.....	719,305	563,495	155,810	27.65
Lumber, Shingles and Lath.....	1,062,262	1,222,884	160,622	13.13
All Other.....	331,205	304,227	26,978	8.87
Total.....	\$ 2,275,937	\$ 2,202,204	\$ 73,733	3.35
Manufactures and Miscellaneous:				
Petroleum Oils, refined, etc.....	\$ 709,856	\$ 654,123	\$ 55,733	8.52
Fuel and Road Oils, etc.....	147,927	142,612	5,315	3.73
Iron and Steel (5th Class).....	191,417	213,903	22,486	10.51
Cement, building.....	107,300	94,574	12,726	13.46
Agricultural Implements and Parts.....	142,005	61,603	80,402	130.52
Tractors and Parts.....	242,713	122,020	120,693	98.91
Fertilizers.....	251,525	138,838	112,687	81.16
Newsprint Paper.....	511,612	582,435	70,823	12.16
All Other.....	2,602,489	3,064,827	462,338	15.09
Total.....	\$ 4,906,844	\$ 5,074,935	\$ 168,091	3.31
Less-than-carload Freight:				
Total Freight Revenue.....	\$ 26,075,774	\$ 22,935,576	\$ 3,140,198	13.69
Passenger.....	1,949,462	1,761,256	188,206	10.69
Mail.....	619,970	615,126	4,844	.79
Express.....	382,061	327,016	55,045	16.83
Miscellaneous.....	496,973	452,363	44,610	9.86
Incidental.....	362,146	352,821	9,325	2.64
Total Operating Revenue.....	\$ 29,886,386	\$ 26,444,158	\$ 3,442,228	13.02

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OPERATING EXPENSES

OPERATING EXPENSES	1944	1943	Increase or Decrease	
			Amount	Per Cent
Maintenance of Way and Structures:				
Superintendence.....	\$ 216,564	\$ 194,423	\$ 22,141	11.39
Roadway Maintenance.....	565,026	535,400	29,626	5.53
Tunnels and Subways.....	616	273	343	125.64
Bridges, Trestles and Culverts.....	127,317	170,879	43,562	25.49
Ties.....	522,918	413,993	108,925	26.31
Rails.....	133,635	155,074	21,439	13.83
Other Track Material.....	182,407	173,174	9,233	5.33
Ballast.....	135,553	103,959	31,594	30.39
Track Laying and Surfacing.....	1,493,150	1,404,793	88,357	6.29
Fences, Snowsheds, and Signs.....	83,246	65,272	17,974	27.54
Station and Office Buildings.....	135,504	110,544	24,960	22.58
Roadway Buildings.....	3,019	2,070	949	45.85
Water Stations.....	46,927	57,097	10,170	17.81
Fuel Stations.....	19,098	16,146	2,952	18.28
Shops and Enginehouses.....	101,109	78,781	22,328	28.34
Telegraph and Telephone Lines.....	78,101	75,351	2,750	3.65
Signals and Interlockers.....	20,053	19,881	172	.87
Power Plants.....	4,852	861	3,991	463.53
Power Transmission Systems.....	648	225	423	188.00
Road Property—Depreciation.....	447,121	484,977	37,856	7.81
Retirements—Road.....	73,750	.....	73,750	.....
Roadway Machines.....	79,714	70,554	9,160	12.98
Dismantling Retired Road Property.....	13,624	8,124	5,500	67.70
Small Tools and Supplies.....	46,600	41,737	4,863	11.65
Removing Snow, Ice and Sand.....	92,251	207,252	115,001	55.49
Public Improvements—Maintenance.....	34,019	23,005	11,014	47.88
Injuries to Persons.....	30,935	36,086	5,151	14.27
Insurance.....	5,532	5,363	169	3.15
Stationery and Printing.....	3,888	3,681	207	5.62
Other Expenses.....	11,803	85	11,718	.....
Maintaining Jt. Triks., Yds. and Other Fac.—Dr.....	150,048	129,197	20,851	16.14
Maintaining Jt. Triks., Yds. and Other Fac.—Cr.....	12,851	10,473	2,378	22.71
Right-of-Way Expenses.....	2,096	1,766	330	18.69
Total.....	\$ 4,848,273	\$ 4,579,550	\$ 268,723	5.87
Ratio of M of W & S Expenses to Revenues	16.22	17.32	1.10	.....
Maintenance of Equipment:				
Superintendence.....	88,082	77,148	10,934	14.17
Shop Machinery.....	67,757	50,484	17,273	34.21
Power Plant Machinery.....	14,872	11,065	3,807	34.41
Shop and Power Plant Mach.—Deprecn.	16,659	19,992	3,333	16.67
Dismantling Retired Shop & P. P. Mach.	102	8	94	.....
Steam Locomotives—Repairs.....	1,361,532	1,346,221	15,311	1.14
Other Locomotives—Repairs.....	18,188	16,476	1,712	10.39
Freight Train Cars—Repairs.....	1,452,962	1,123,368	329,594	29.34
Passenger Train Cars—Repairs.....	348,895	307,115	41,780	13.60
Work Equipment—Repairs.....	58,750	68,819	10,069	14.63
Miscellaneous Equipment—Repairs.....	8,527	5,121	3,406	66.51
Dismantling Retired Equipment.....	354	871	517	59.36
Equipment—Depreciation.....	684,134	664,395	19,739	2.97
Equip.—Amortization of Def. Projects— Amortization in excess of Normal De- preciation.....	544,137	544,683	546	.10
Amortization Equivalent to Normal Depreciation.....	99,748	99,839	91	.09
Credits in Connection with Retirements	1,104	1,174	70	5.96
Injuries to Persons.....	19,269	9,307	9,962	107.04
Insurance.....	5,666	6,021	355	5.90
Stationery and Printing.....	2,806	3,157	351	11.12
Other Expenses.....	4,242	5,531	1,289	23.31
Joint Maint. of Equip. Expenses—Dr.	34,835	34,379	456	1.33
Joint Maint. of Equip. Expenses—Cr.	2,413	2,522	109	4.32
Total.....	\$ 4,819,516	\$ 4,379,242	\$ 440,274	10.05
Ratio of M. of Equip. Expenses to Revenues.....	16.13	16.56	.43	.....

OPERATING EXPENSES
Continued

OPERATING EXPENSES	1944	1943	Increase or Decrease	
			Amount	Per Cent
Traffic Expenses:				
Superintendence.....	\$ 135,014	\$ 156,396	\$ 21,382	13.67
Outside Agencies.....	213,026	249,280	36,254	14.54
Advertising.....	22,053	29,226	7,173	24.54
Traffic Associations.....	11,515	8,933	2,582	28.90
Industrial and Immigration Bureaus.....	5,458	6,893	1,435	20.82
Insurance.....	80	183	103	56.28
Stationery and Printing.....	21,514	27,659	6,145	22.22
Total.....	\$ 408,660	\$ 478,570	\$ 69,910	14.61
Ratio of Traffic Expenses to Revenues.....	1.37	1.81	.44	.....
Transportation Expenses:				
Superintendence.....	\$ 243,487	\$ 216,599	\$ 26,888	12.41
Dispatching Trains.....	116,950	120,549	3,599	2.99
Station Employees.....	1,431,543	1,403,771	27,772	1.98
Weighing Insp. and Dem. Bureaus.....	20,525	17,190	3,335	19.40
Station Supplies and Expenses.....	94,479	87,185	7,294	8.37
Yard Masters and Yard Clerks.....	204,756	165,534	39,222	23.69
Yard Conductors and Brakemen.....	491,642	414,208	77,434	18.69
Yard Switch and Signal Tenders.....	23,302	19,409	3,893	20.06
Yard Enginemen.....	282,820	236,614	46,206	19.53
Yard Motormen.....	43,429	36,831	6,598	17.91
Yard Switching Fuel.....	209,087	175,096	33,991	19.41
Water for Yard Locomotives.....	9,351	7,457	1,894	25.40
Lubricants for Yard Locomotives.....	6,246	6,254	8	.13
Other Supplies for Yard Locomotives.....	3,003	2,618	385	14.71
Enginehouse Expenses—Yard.....	124,856	88,673	36,183	40.80
Yard Supplies and Expenses.....	6,979	6,123	856	13.98
Opr. Joint Yards & Terminals—Dr.....	523,804	462,894	60,910	13.16
Opr. Joint Yards & Terminals—Cr.....	28,815	26,639	2,176	8.17
Train Enginemen.....	1,257,359	1,132,146	125,213	11.06
Train Fuel.....	2,146,014	1,867,481	278,533	14.91
Water for Train Locomotives.....	76,282	63,982	12,300	19.22
Lubricants for Train Locomotives.....	45,808	45,561	247	.54
Other Supplies for Train Locomotives.....	21,928	19,032	2,896	15.22
Enginehouse Expenses—Train.....	284,581	239,254	45,327	18.95
Trainmen.....	1,703,771	1,505,752	198,019	13.15
Train Supplies and Expenses.....	569,047	531,963	37,084	6.97
Operating Sleeping Cars.....	38,379	36,770	1,609	4.38
Signal and Interlocker Operation.....	61,968	59,875	2,093	3.50
Crossing Protection.....	33,286	34,072	786	2.31
Drawbridge Operation.....	1	39	38	97.44
Telegraph and Telephone Operation.....	44,423	37,646	6,777	18.00
Stationery and Printing.....	36,143	28,428	7,715	27.14
Other Expenses.....	74,897	70,124	4,773	6.81
Operating Jt. Trks. & Facilities—Dr.....	106,964	90,754	16,210	17.86
Operating Jt. Trks. & Facilities—Cr.....	19,132	17,191	1,941	11.29
Insurance.....	3,773	7,644	3,871	50.64
Clearing Wrecks.....	40,951	36,336	4,615	12.70
Damage to Property.....	17,671	11,754	5,917	50.34
Damage to Live Stock on R. of W.....	21,449	13,913	7,536	54.17
Loss and Damage—Freight.....	85,468	52,966	32,502	61.36
Loss and Damage—Baggage.....	124	292	168	57.53
Injuries to Persons.....	121,919	51,151	70,768	138.35
Total.....	\$ 10,580,518	\$ 9,360,110	\$ 1,220,408	13.04
Ratio of Transportation Exp. to Revenues.....	35.40	35.40	.....	.....
Miscellaneous Operations:				
Dining and Buffet Service.....	\$ 113,882	\$ 115,710	\$ 1,828	1.58
Ratio of Misc. Operations to Revenues.....	.38	.43	.05	.....

OPERATING EXPENSES
Concluded

OPERATING EXPENSES	1944	1943	Increase or Decrease	
			Amount	Per Cent
General Expenses:				
Sal. & Exp. of General Officers.....	\$ 122,361	\$ 108,510	\$ 13,851	12.76
Sal. & Exp. of Clerks & Attendants.....	406,789	450,096	43,307	9.62
General Office Supplies and Expenses.....	37,889	30,504	7,385	24.21
Law Expenses.....	78,007	62,583	15,424	24.65
Insurance.....	1,173	1,503	330	21.96
Pensions.....	13,943	9,415	4,528	48.09
Stationery and Printing.....	23,562	19,658	3,904	19.86
Valuation Expenses.....	343	1,301	958	73.64
Other Expenses.....	37,462	26,696	10,766	40.33
General Joint Facilities—Dr.....	7,397	6,316	1,081	17.12
General Joint Facilities—Cr.....	1,935	1,687	278	16.78
Total.....	\$ 726,991	\$ 714,925	\$ 12,066	1.69
Ratio of General Expenses to Revenues.....	2.43	2.70	.27	.....
Railway Operating Expenses.....	\$ 21,497,840	\$ 19,628,107	\$ 1,869,733	9.53
Ratio of Operating Exp. to Revenues.....	71.93	74.22	2.29	.....

TRAFFIC AND MILEAGE STATISTICS
Per Interstate Commerce Commission Classification

	Year Ended Dec. 31, 1944	Year Ended Dec. 31, 1943
	Passengers, Tonnage, Rates and Revenues	Passengers, Tonnage, Rates and Revenues
Passenger Traffic		
Number of Passengers Carried Earning Revenue.....	607,586	544,549
Number of Passengers Carried One Mile.....	105,619,905	95,683,050
Number of Passengers Carried One Mile per Mile of Road.....	32,807	29,724
Average Distance Carried, Miles	173 84	175 71
Total Passenger Revenue.....	\$1,949,462 24	\$1,761,255 63
Average Amount Received from Each Passenger.....	\$3 2085	\$3 2343
Average Receipts per Passenger per Mile.....	\$0 1846	\$0 1841
Total Passenger Service Train Revenue.....	\$3,207,005 99	\$2,897,114 61
Passenger Service Train Revenue per Mile of Road.....	\$996 13	\$899 98
Passenger Service Train Revenue per Train Mile.....	\$1 69148	\$1 50799
Freight Traffic		
Number of Tons Carried of Freight Earning Revenue.....	10,889,387	10,265,683
Number of Tons Carried One Mile	2,839,201,893	2,583,417,299
Number of Tons Carried One Mile per Mile of Road.....	881,885	802,533
Average Distance Haul of One Ton, Miles.....	260 73	251 66
Total Freight Revenue.....	\$26,075,773 60	\$22,935,575 68
Average Amount Received for Each Ton of Freight.....	\$2 39460	\$2 23420
Average Receipts per Ton per Mile.....	\$0 0918	\$0 0888
Freight Revenue per Mile of Road	\$8,099 40	\$7,124 89
Freight Revenue per Train Mile	\$7 37011	\$6 82828
Total Traffic		
Operating Revenue.....	\$29,886,385 90	\$26,444,158 13
Operating Revenue per Mile of Road.....	\$9,283 01	\$8,214 82
Operating Revenue per Train Mile.....	\$5 49987	\$5 00828
Operating Expenses.....	\$21,497,839 51	\$19,628,106 66
Operating Expenses per Mile of Road.....	\$6,677 45	\$6,097 43
Operating Expenses per Train Mile.....	\$3 95616	\$3 71738
Net Operating Revenue.....	\$8,388,546 39	\$6,816,051 47
Net Operating Revenue per Mile of Road.....	\$2,605 57	\$2,117 39

TRAFFIC AND MILEAGE STATISTICS—Continued

CLASSIFICATION	Year Ended Dec. 31, 1944	Year Ended Dec. 31, 1943
Locomotive Mileage, Revenue Service:		
Freight Locomotive-Miles.....	3,585,282	3,394,238
Passenger Locomotive-Miles.....	1,919,589	1,949,096
Switching Locomotive-Miles.....	911,394	857,796
Total Revenue Locomotive Mileage.....	6,416,265	6,201,130
Non-revenue Service Locomotive-Miles.....	139,365	154,320
Car Mileage, Revenue Service:		
Freight Car-Miles:		
Loaded.....	83,708,204	75,859,533
Empty.....	51,572,253	44,614,644
Caboose.....	2,838,207	2,649,471
Total Freight Car-Miles.....	138,118,664	123,123,648
Passenger Car-Miles:		
Passenger.....	4,339,469	4,433,015
Sleeping and Parlor.....	2,028,058	1,992,172
Other Passenger Train Cars.....	4,848,960	4,780,471
Total Passenger Car-Miles.....	11,216,487	11,205,658
Total Revenue Car Mileage.....	149,335,151	134,329,306
Non-revenue Service Car-Miles.....	1,274,773	1,067,429
Train Mileage, Revenue Service:		
Freight Train-Miles.....	3,538,042	3,358,911
Passenger Train-Miles.....	1,895,971	1,921,176
Total Revenue Train Mileage.....	5,434,013	5,280,087
Non-revenue Service Train-Miles.....	121,953	137,766
Average Number of Passengers per Car-Mile	16.59	14.89
Average Number of Passengers per Train-Mile.....	55.71	49.80
Average Number of Passenger Cars per Train-Mile.....	5.92	5.83
Average Number of Tons of Revenue Freight per Loaded Car-Mile.....	33.92	34.06
Average Number of Tons of Revenue Freight per Train-Mile.....	802.47	769.12
Average Number of Freight Cars per Train-Mile.....	39.04	36.66
Average Number of Loaded Cars per Train-Mile.....	23.66	22.58
Average Number of Empty Cars per Train-Mile.....	14.58	13.28
Average Mileage Operated During Year....	3,219.47	3,219.08

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES REVENUES

Year Ended December 31										
	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935
Freight.....	\$26,775,774	\$22,635,576	\$20,177,264	\$17,663,263	\$15,208,573	\$13,254,476	\$11,667,245	\$12,739,863	\$11,935,939	\$11,451,873
Passenger.....	1,949,462	1,761,256	1,031,432	657,090	652,928	603,780	912,554	868,050	2,583,808	2,739,295
Mail.....	619,970	615,126	617,805	625,416	619,170	634,088	686,153	645,055	643,726	628,355
Transportation Expenses.....	382,061	327,161	222,973	138,730	124,181	117,232	116,429	115,905	113,661	113,661
Express.....	496,973	452,363	387,527	365,572	281,926	284,967	294,845	274,085	227,156	227,156
Miscellaneous.....	302,146	352,821	300,911	289,640	246,529	249,270	197,144	273,503	248,470	191,029
Total.....	\$29,886,386	\$26,444,158	\$22,718,022	\$19,731,911	\$17,137,579	\$15,345,080	\$13,692,718	\$15,001,430	\$14,109,841	\$13,369,369
EXPENSES										
Maintenance of Way and Structures.....	\$ 4,848,273	\$ 4,579,550	\$ 3,700,300	\$ 3,481,240	\$ 2,935,535	\$ 2,625,302	\$ 2,214,324	\$ 2,315,037	\$ 2,200,002	\$ 2,110,729
Maintenance of Equipment.....	408,660	439,242	3,989,802	3,447,788	2,682,768	2,667,320	2,689,510	2,837,623	2,710,168	2,583,808
Transportation Expenses.....	10,580,518	9,360,110	8,119,452	4,488,825	4,118,095	4,114,144	4,400,094	4,155,084	4,419,978	4,419,978
Miscellaneous Operations.....	133,882	151,710	79,584	72,227,759	6,709,801	6,449,749	6,289,979	6,529,777	6,047,224	5,721,995
General Expenses.....	726,991	714,925	660,940	622,309	574,087	79,820	70,461	66,134	67,042	67,042
Transportation for Investment—Cr. ....	.....	.....	.....	31,493	28,268	13,857	19,834	38,916	21,177	16,142
Total.....	\$21,497,840	\$19,628,107	\$17,076,896	\$15,500,031	\$13,356,436	\$12,799,611	\$12,144,256	\$12,790,832	\$12,119,152	\$11,467,444
Percentage of Expenses to Earnings.....	71.9	74.2	75.2	78.5	77.9	83.4	88.7	85.3	85.9	85.9
Net Revenue from Ry. Operations.....	\$ 3,885,546	\$ 6,816,051	\$ 5,641,126	\$ 4,251,880	\$ 3,778,443	\$ 2,645,479	\$ 1,584,462	\$ 2,210,598	\$ 1,990,689	\$ 1,881,925
Railway Tax Accruals.....	\$ 2,840,791	\$ 1,815,912	\$ 1,569,512	\$ 1,494,717	\$ 1,273,346	\$ 1,230,813	\$ 1,231,308	\$ 867,244	\$ 1,130,001	\$ 844,101
Uncollectible Ry. Revenues.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	10,734
Railway Operating Income.....	\$ 5,547,755	\$ 5,000,139	\$ 4,071,614	\$ 2,767,163	\$ 2,504,797	\$ 1,314,666	\$ 317,154	\$ 1,343,354	\$ 860,688	\$ 1,027,090
Hire of Equipment—Net.....	\$ 302,237	\$ 336,085	\$ 98,064	\$ 160,290	\$ 160,290	\$ 165,2036	\$ 307,198	\$ 301,064	\$ 348,601	\$ 273,793
Joint Facility Rents—Net Dr.	\$ 139,823	\$ 195,132	\$ 166,244	\$ 233,304	\$ 165,2036	\$ 164,495	\$ 161,946	\$ 226,193	\$ 190,973	\$ 196,814
Net Railway Operating Income.....	\$ 5,710,169	\$ 5,141,092	\$ 3,684,434	\$ 2,313,569	\$ 2,038,278	\$ 842,973	\$ 154,866	\$ 708,560	\$ 395,624	\$ 825,352
Net Non-Operating Income—Net.....	\$ 139,529	\$ 105,426	\$ 13,246	\$ 130,608	\$ 131,677	\$ 149,998	\$ 173,300	\$ 149,031	\$ 306,659	\$ 51,276
Income Before Fixed and Contingent Charges.....	\$ 5,849,698	\$ 5,241,518	\$ 3,971,188	\$ 2,444,177	\$ 2,167,955	\$ 992,971	\$ 18,404	\$ 917,591	\$ 702,583	\$ 876,658
Fixed Charges.....	\$ 4,405,359	\$ 6,587,071	\$ 6,604,733	\$ 6,606,813	\$ 6,596,754	\$ 6,625,356	\$ 6,656,714	\$ 6,652,688	\$ 6,264,435	\$ 6,101,005
Contingent Charges.....	\$ 406,031	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net Income or Deficit.....	\$ 1,038,308	\$ 1,340,553	\$ 2,633,595	\$ 4,102,636	\$ 4,428,799	\$ 5,632,385	\$ 6,698,310	\$ 5,735,007	\$ 5,561,852	\$ 5,224,247
MISCELLANEOUS AVERAGES										
Average Miles Operated.....	3,219,47	3,219,08	3,219,21	3,223,76	3,224,18	3,227,18	3,228,98	3,232,63	3,247,88	3,249,88
Operating Revenues Per Mile of Road.....	\$ 9,283,01	\$ 8,214,82	\$ 7,057,02	\$ 6,120,77	\$ 5,315,33	\$ 4,754,95	\$ 4,240,57	\$ 4,640,63	\$ 4,344,32	\$ 4,110,50
Operating Expenses Per Mile of Road.....	\$ 6,677,45	\$ 6,097,43	\$ 5,304,69	\$ 4,508,06	\$ 4,143,51	\$ 3,966,19	\$ 3,761,02	\$ 3,656,79	\$ 3,731,40	\$ 3,534,72
Net Income Per Mile of Road.....	\$ 322,51	\$ 416,44	\$ 818,09	\$ 1,291,24	\$ 1,373,62	\$ 1,745,30	\$ 2,065,85	\$ 1,774,13	\$ 1,712,46	\$ 1,607,45

ADDITIONS AND BETTERMENTS TO ROAD
Year Ended December 31, 1944

	Amount
Engineering	\$ 3,863
Land for Transportation Purposes	11,405
Other Right-of-Way Expenditures	356
Grading	49,694
Bridges, Trestles and Culverts	11,278
Ties	15,046
Rails	29,976
Other Track Material	93,518
Ballast	5,127
Track Laying and Surfacing	20,255
Fences, Snowsheds and Signs	1,422
Station and Office Buildings	9,449
Roadway Buildings	517
Water Stations	17,846
Fuel Stations	6,165
Shops and Enginehouses	32,469
Telegraph and Telephone Lines	5,299
Signals and Interlockers	3,467
Power Plants	999
Power Transmission Systems	740
Roadway Machines	7,710
Roadway Small Tools	218
Public Improvements — Construction	4,032
Shop Machinery	47,765
Power Plant Machinery	2,097
Organization Expenses	8
General Officers and Clerks	22
Law	4
Stationery and Printing	1
Taxes	1
Interest during Construction	230
 Total	 <u>\$279,127</u>

ADDITIONS AND BETTERMENTS TO EQUIPMENT
Year Ended December 31, 1944

ADDITIONS:**Steam Locomotives:**

Install Simplex Stokers to 8 units.....	\$ 24,697
Construct 6 12,000-gallon tenders.....	54,493
Mechanical lubricators on 7 units.....	9,260
Miscellaneous minor improvements.....	2,304
Miscellaneous accounting adjustments.....	2,843

Freight-Train Cars:

Reinforce underframes of 60 ore cars.....	4,681
AB brake equipment to 342 cars.....	36,700
Miscellaneous minor improvements.....	2,138

Passenger-Train Cars:

Miscellaneous minor improvements.....	289
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Work Equipment:

1 unit—Purchase of Russell snow plow.....	17,295
4 units, 1 converted from Refrigerator car and 3 converted from tenders.....	3,146
Miscellaneous minor improvements.....	3,345

Miscellaneous Equipment:

3 Automobiles (1 jointly owned with N. P. Ry.)..	3,520
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Total..... \$159,025

DEDUCTIONS:**Steam Locomotives:**

1 unit retired.....	\$ 14,493
7 Extra tenders retired (3 converted into Congdon snow plows).....	18,166
3 Congdon snow plows.....	1,365

Freight-Train Cars:

13 Automobile cars retired.....	18,861
10 Ballast cars retired.....	11,122
144 Box cars retired.....	189,349
5 Flat cars retired.....	3,741
1 Refrigerator car converted into work service.....	1,612

Work Equipment:

6 units of other company service equipment retired	4,034
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Miscellaneous Equipment:

2 Automobiles retired.....	2,284
2 Electric Trucks retired.....	4,485

Total..... \$269,512

Net Deductions..... \$110,487

EQUIPMENT OWNED — DECEMBER 31, 1944

Equipment Owned and Operated

	Jan. 1st 1944	Addi- tions	Dedu- ctions	Dec. 31st 1944
STEAM LOCOMOTIVES				
Steam Locomotives—All Classes	170	0	1	169
OTHER LOCOMOTIVES				
Diesel.....	4	0	0	4
FREIGHT TRAIN CARS				
Automobile cars.....	673	0	13	660
Ballast cars.....	271	0	10	261
Box cars.....	6,025	0	144	5,881
Caboose cars.....	133	0	0	133
Flat cars.....	389	0	5	384
Gondola cars.....	705	0	0	705
Ore cars.....	1,112	0	0	1,112
Refrigerator cars.....	8	0	1	7
Stock cars.....	395	0	0	395
Tank cars.....	4	0	0	*4
Total Freight Train Cars.....	9,715	0	173	9,542
PASSENGER TRAIN CARS				
Baggage cars.....	31	0	0	31
Baggage and smoking cars.....	1	0	0	1
Coach-Caboose.....	1	0	0	1
Dining cars.....	4	0	0	4
Mail and Express cars.....	28	0	0	28
Mail, Express and Coach.....	6	0	0	6
Passenger coaches.....	41	0	0	41
Coach-Cafe-Lounge.....	2	0	0	2
Passenger and baggage cars.....	6	0	0	6
Sleeping cars.....	5	0	0	5
Tourist cars.....	6	0	0	6
Sleeping-Restaurant and Lounge	2	0	0	2
Drovers cars.....	5	0	0	5
Total Passenger Train Cars.....	138	0	0	138
WORK EQUIPMENT				
Business cars.....	4	0	0	4
Derrick cars.....	2	0	0	2
Wrecking cars (steam).....	5	0	0	5
Other Company service equipment.....	194	5	6	193
Total Work Equipment.....	205	5	6	204
MISCELLANEOUS EQUIP.				
Automobiles.....	19	3	2	20
Electric trucks.....	2	0	2	0
Lime spreader.....	1	0	0	1
Spraying outfit.....	1	0	0	1
Total Miscellaneous Equip.....	23	3	4	22

*Tanks owned by Gedney Pickle Co. mounted on four flat cars owned by this company.

MILES OF ROAD OPERATED, DECEMBER 31, 1944

SOLELY OWNED

Minnesota Division

		Miles
Portal, N. D.	to Minneapolis, Minn., W. Switch, Humboldt Yard	543.85
Whitetail, Mont.	to Flaxton, N. D.	136.62
Sanish, N. D.	to Prairie Junction, N. D.	32.80
Plaza, N. D.	to Max, N. D.	35.58
Max, N. D.	to Drake, N. D.	48.17
Max, N. D.	to Hankinson, N. D.	304.31
Pollock, S. D.	to Wishek, N. D.	70.32
Grenville, S. D.	to Fairmount, N. D.	83.61
Total Minnesota Division		1,255.26

Winnipeg Division

Noyes, Minn.	to Glenwood, Minn.	265.05
Kenmare, N. D.	to Dakota Junction, Minn.	296.44
Armourdale, N. D.	to Egeland, N. D.	21.88
Drake, N. D.	to Fordville, N. D.	130.43
Total Winnipeg Division		713.80

Minneapolis-Duluth Division

Minneapolis, Minn., 5th Avenue North	to W. Switch, Humboldt Yard	4.71
Minneapolis, Minn., Camden Place	to Weyerhauser, Wis.	112.86
Minneapolis, Minn., Columbia Heights	to Hilo Junction	1.09
St. Paul, Minn.	to Cardigan Junction, Minn.	8.13
Dresser Jct., Wis.	to Superior, Wis., 28th Street	103.30
Superior, Wis., 12th Street Junction	to Interstate Bridge	1.89
Duluth, Minn., Interstate Bridge	to 10th Ave., Freight House	1.39
Summit, Wis.	to St. Croix Falls, Wis.	2.04
Ridgeland, Wis.	to Barron, Wis.	18.52
Rice Lake, Wis.	to Cameron, Wis.	6.68
Superior, Wis.	to Conn. with N. P. Ry.	.68
Plummer, Minn.	to Moose Lake, Minn.	192.55
Lawler, Minn.	to East Lake, Minn.	6.51
Ironton, Minn.	to Crosby, Minn.	1.00
Boylston Jct., Wis.	to Brooten, Minn.	175.89
McGregor, Minn.	to Conn. with N. P. Ry.	.06
Total Minneapolis-Duluth Division		637.30

Gladstone Division

Weyerhauser, Wis.	to Sault Ste. Marie, Mich.	378.72
Wisconsin Jct., Wis.	to Winnebago Junction, Wis.	118.80
Appleton, Wis., North Wye	to End of track	1.07
Rapid River, Mich.	to Eben Junction, Mich.	30.54
Total Gladstone Division		529.13
Total Solely Owned		3,135.49

JOINTLY OWNED

Sault Ste. Marie, Mich.—Joint with D. S. S. & A. Ry. Co.	1.71	
Minneapolis, Minn.—Joint with N. P. Ry.	.88	
Bemidji, Minn.—Joint with N. P. Ry.	.19	
Deerwood, Minn., to Cuyuna Range Mines—Joint with N. P. Ry.	21.51	
Total Jointly Owned		24.29
Total Mileage Owned and Operated		3,159.78

MILES OF ROAD OPERATED, DECEMBER 31, 1944
Continued

Total Mileage Owned and Operated..... 3,159.78

TRACKAGE RIGHTS

Over Wisconsin Central Railway

Superior, Wis., 28th Street.....	2.44
Duluth, Minn., Berwind Jct. to 6th Avenue.....	4.71
Winnebago Jct., Wis..... to Menasha, Wis.....	4.17
Ladysmith, Wis.....	.86
 Total Over W. C. Ry.....	 12.18

Joint With Wisconsin Central Railway

St. Paul, Minn.....	2.42	
N. P. Ry., Soo Line Jct. to 3rd St.....	.85	
St. P. U. D. Co., 3rd St. to Sibley St.....		
C. St. P. M. & O. Ry. and C. M. St. P. & P. R. R., Sibley St. to Chestnut St.....	.79	
C. M. St. P. & P. R. R., Chestnut St. to Minneapolis, Minn.....		
 Minneapolis, Minn.....	 10.54	
M. & St. L. Ry., 20th Ave. South to 4th Ave. North.....	.80	
N. P. Ry., 4th Ave. N. to 14th Ave. N.....	.66	
 Superior, Wis.....	 D. S. Br. Co., Superior, Wis., to Interstate Bridge.....	.54
L. S. T. & T. Ry., Tower Ave.....	.43	
N. P. Ry., Grassy Point Line, Superior, Wis., to Duluth, Minn.....		
 Duluth, Minn.....	 N. P. & C. St. P. M. & O., 8th to 15th Ave. West.....	1.96
 Total Joint with W. C. Ry.....	 .37	
	19.36	

Other

Sault Ste. Marie, Mich.—Union Depot Co.....	.52
Sault Ste. Marie, Mich.—Ste. Marie Bridge Co.....	.52
Deerwood—McGregor, Minn., N. P. Ry.....	30.95
Superior—Ore Dock Line & Hill Ave. Yard—N. P. Ry.....	.47
 Total Other.....	 32.46
 Total Soo Line Mileage Operated.....	3,223.78
Mileage operated as Agent for Trustees of Wisconsin Central Ry. Co.....	1,129.59
Less mileage common to both Soo Line and W. C. Ry. Co.....	77.09
 Total System Mileage Operated.....	 4,276.28

